

09 February 2016

Danske Daily

Market Movers

- There is a limited number of interesting data releases on the calendar today to guide financial markets in the midst of rising turmoil. The market will therefore likely position itself ahead of Federal Reserve chairwoman Janet Yellen's Humphrey Hawkins testimony tomorrow.
- The key event for the oil market will be the release of the International Energy Agency's Oil Market Report today. Last month's report showed a drop in China's oil demand in Q4 15 and a downwards revision in its forecasted demand for 2016. The market will therefore take note of further revisions to the outlook for world oil demand, as weak demand has been the main culprit behind the significant slide in the oil price.
- The US Energy Information Administration is also scheduled to publish its updated oil market forecasts in its Short Term Energy Outlook today.

Selected Market News

The VIX index climbed to the highest level since the middle of last month and the gold price topped the highest level since last summer yesterday, as broad-based risk aversion has taken over financial markets on the back of concerns over the state and outlook for the global economy. Consequently, stocks and commodity markets were outperformed by core fixed income markets on a day where the only real news on the economy were new figures indicating declining investor confidence in the euro area. The rout has continued overnight with Nikkei notably plunging more than 5%.

Headlines continue to surface in the oil market of hints that OPEC and non-OPEC oil producers are looking into ways to cooperate to stabilise the oil market and the oil price. Recent attention has been on rumours that Russia and Saudi Arabia could be working on such a strategy. Yesterday, Saudi Arabian oil minister Ali al-Naimi confirmed that Saudi Arabia and Venezuela have held a meeting on the topic. The 3% drop in the price on Brent crude yesterday suggests that the oil market is paying less attention to major oil producers trying to 'talk up' oil prices and more to the broad concerns for global economic growth that are currently hampering financial markets.

Market overview

		07:30		1 day +/-%
S&P500 (close)		1853.4	↓	-1.42
S&P500 fut (chng from close)		1833.1	↓	-1.02
Nikkei		16167.5	↓	-4.92
Hang Seng		19288.2	↑	0.55
	17:00	07:30		+/-, bp
US 2y gov	0.66	0.65	↓	-1.6
US 10y gov	1.74	1.70	↓	-4.8
iTraxx Europe (IG)	121	121	↑	0.0
iTraxx Xover (Non IG)	460	462	↑	1.8
				+/-, %
EUR/USD	1.119	1.121	↑	0.15
USD/JPY	115.370	114.720	↓	-0.56
EUR/CHF	1.10	1.10	↑	0.01
EUR/GBP	0.776	0.777	↑	0.18
EUR/SEK	9.456	9.461	↑	0.06
EUR/NOK	9.61	9.61	↑	0.03
				USD
Oil Brent, USD	33.7	32.9	↓	-2.26
Gold, USD	1195.9	1192.0	↓	-0.32

Note:

* The iTraxx Europe Index shows the spread development for the most liquid investment grade CDS contracts in the euro credit market.

**The iTraxx Europe Crossover show the spread development of the most liquid non-investment grade CDS contracts in the euro credit market.

***The Markit CDX North America Investment Grade Index shows the spread development for the most liquid investment grade CDS contracts in the US credit market.

Source: Bloomberg

Selected readings from Danske Bank

- [Chinese FX reserves down again in January but calm has been restored](#)

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@Danske_Research

Senior Analyst

Jens Nærvig Pedersen
+45 45 12 80 61
jenpe@danskebank.dk

Scandi Markets

No key data releases in Scandinavia today.

Fixed Income Markets

Concern of EUR bank credit yesterday took the poor risk sentiment to the next level with credit spreads widening in both Swaps, Euro govies and corporate credit space. We saw a big widening in FRA/EONIA coming from the Euribor strip being down out to 2017 maturities and higher thereafter - a classic credit move with inversion of curves. Also the periphery traded poorly with the largest daily spread widening since the Greece turmoil last year and the BTP-Bund spread is now 50bp wider in 2016. Higher bank risk resulting in higher funding rates for both sovereigns and corporate is not on the ECB's wish list and we think it is a matter of time before we see the concern being expressed publically in form of verbal intervention. At least, that is what the market is looking for with risky assets being sold in something that looks like accelerating panic.

Austria is tapping in the 10Y and 30Y today and despite the market turmoil the auction is expected to go smoothly. Germany is tapping 0.5bn in the 30Y linker - relative to the nominals there has been better demand at the auctions for the German linkers and we expect to see the same at the auction today.

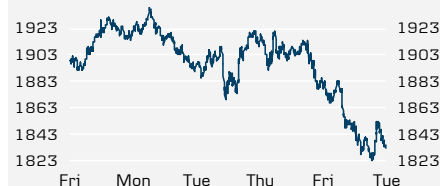
There was no relief for the Portuguese government bond market yesterday despite the agreement between the EU and Portugal. The periphery was under substantial pressure with Portugal widening the most - the combination of a lower growth forecast and being under review by the EU commission on the implementation of the additional budget measures added extra pressure. Now we are looking forward to preliminary Q4 growth forecasts for Portugal due for release on Friday.

FX Markets

Negative risk sentiment continues to dominate the markets and yesterday's selloff in equities prompted further safe-haven demands in the FX market. In particular the JPY rallied and USD/JPY fell to the lowest level since 2014 as the cross dropped below 115. EUR/USD broke above 1.12 overnight following some interesting price actions yesterday when EUR/USD traded lower during the European session along with a decline in equities and USD/JPY. There is no doubt that pressure on the major central banks is mounting as inflation expectations are falling and as further escalation in market jitters increases the risk of credit events. With USD/JPY below 115 we are now in 'easing territory' and we would expect the Bank of Japan to combat further significant JPY appreciation. First line of defence would normally be verbal interventions but there has been unusual silence from the BoJ this time. Could be that easing actions are imminent. The ECB should also be less tolerant to see further EUR appreciation.

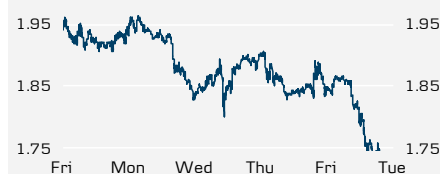
In the Scandi FX sphere both EUR/SEK and EUR/NOK are seeing upward pressures on the back of falling equities. Risk sentiment will probably continue to dominate price actions ahead of the Riksbank meeting on Thursday.

US S&P500 future



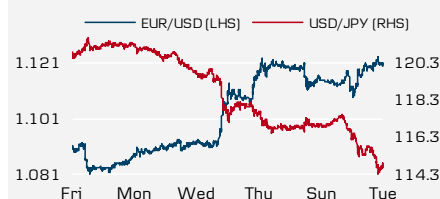
Source: Danske Bank Markets

US 10y gov yield



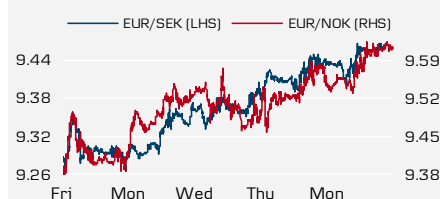
Source: Danske Bank Markets

Global FX



Source: Danske Bank Markets

Scandi FX



Source: Danske Bank Markets

Key figures and events

Tuesday, February 9, 2016

				Period	Danske Bank	Consensus	Previous
0:50	JPY	Money supply M2	y/y	Jan		3.1%	3.0%
1:30	AUD	NAB Business Conditions	Index	Jan			7.0
7:45	CHF	Unemployment	%	Jan		3.5%	3.4%
8:00	DEM	Trade balance	EUR bn	Dec		20	20.5
10:30	GBP	Trade balance	GBP mio.	Dec		-2800	-3170
12:00	USD	NFIB small business optimism	Index	Jan		94.5	95.2

Source: Bloomberg, Danske Bank Markets

Today's market data: 09 February 2016

STOCKS



	Close		+/-
DJSTOXX50	2667	↓	-3.0%
OMXC20	853	↓	-5.2%
OMXS30	1274	↓	-4.2%
OSE BX	536	↓	-4.4%
	Close		+/-
DOW JONES	16027	↓	-1.1%
NASDAQ	4284	↓	-1.8%
S&P500	1853	↓	-1.4%
NIKKEI (07:30)	16167	↓	-3.0%

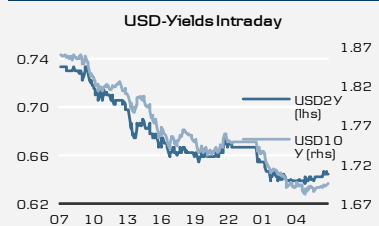
FX & COMMODITIES



EUR	17:00	07:30	+/-
USD	111.90	112.07	↑ 0.17
JPY	129.11	128.57	↓ -0.54
GBP	77.59	77.72	↑ 0.14
NOK	961.08	961.35	↑ 0.27
SEK	945.56	946.14	↑ 0.58
DKK	746.36	746.35	↓ -0.01
PLN	444.56	446.63	↑ 2.07
USD	17:00	07:30	+/-
JPY	115.37	114.72	↓ -0.65
GBP	144.22	144.19	↓ -0.03
CHF	98.61	98.47	↓ -0.14

		Gold, \$	Oil, Brent, \$
07:30		1192.04	32.92
1 day	↑	2.79	0.04
1 month	↑	87.99	-0.63
Year-t-date	↑	130.62	-4.36
		CRB 1M future	CRB, Raw Industrials
07:30		160.58	422.67
1 day	↓	-1.35	0.74
1 month	↓	-8.00	10.44
Year-t-date	↓	-15.56	17.96

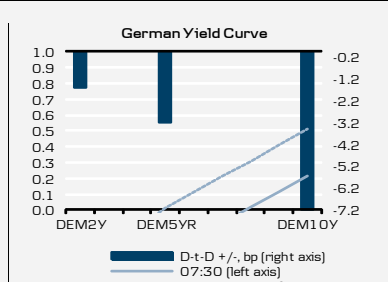
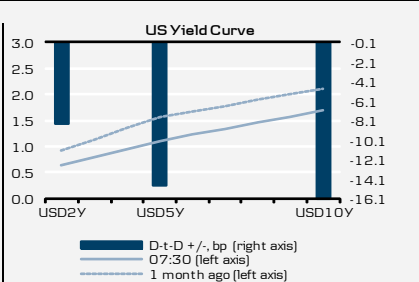
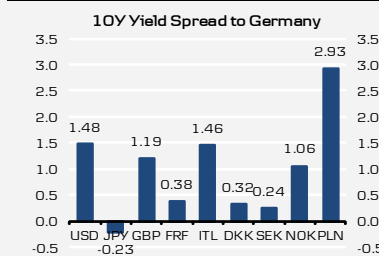
YIELDS & INTEREST RATES



	Policy Rate	3M	Spread, bp
USD	0.50	0.62	12
EUR	0.05	-0.17	-22
GBP	0.50	0.59	9
DKK	0.05	-0.07	-12
SEK	-0.35	-0.36	-1
NOK	0.75	1.09	34
PLN	1.50	1.59	9

	17:00	07:30	+/-, bp
USD 10Y	1.74	1.70	↓ -5
USD 30Y	2.57	2.53	↓ -5
JPY 10Y	0.05	-0.01	↓ -5
	07:30(-1)*	17:00	+/-, bp
DEM 10Y	0.29	0.22	↓ -7
DKK 10Y	0.61	0.54	↓ -7
SEK 10Y	0.56	0.48	↓ -9
NOK 10Y	1.28	1.28	0
PLN 10Y	3.14	3.15	↑ 1

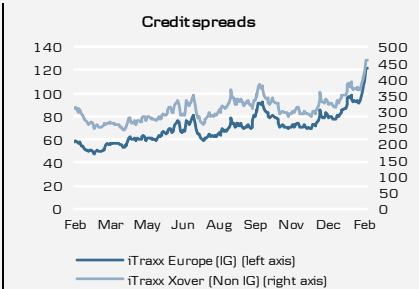
* As of closing previous trading day



Credit spread, iTraxx s. 11*

	07:30	1 day	1 month
Europe (IG)	121	↑ 0	↑ 35
HiVol	148	↑ 0	↑ 20
Xover (N-IG)	462	↑ 0	↑ 110
Finan. Sr.	138	↑ 0	↑ 57
Finan. Sub.	316	↑ 8	↑ 142
Non-finan.			

* Ask price



	17:00	07:30	+/-
USD 10Y			
JPY 10Y	-9	-6	↑ 3
	07:30(-1)*	17:00	+/-
EUR 10Y	0	13	↑ 13
DKK 10Y	34	37	↑ 3
SEK 10Y	32	44	↑ 11
NOK 10Y	68	72	↑ 4

* As of closing previous trading day

** Ask price

Source: Bloomberg, Danske Bank Markets

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